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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 12/20/07

#### Index:

- 1) Prime Minister Fukuda expects to improve relations with South Korea under new conservative government (Yomiuri)
- 2) OECD projects that Japan's rank as international ODA donor will slip to sixth place by 2010, with aid budget being slashed every year (Asahi)

#### Political agenda:

- 3) Opposition camp to heighten pressure on the Fukuda government in the Diet by tying it up with deliberations on other issues than the MSDF refueling bill (Tokyo Shimbun)
- 4) New Komeito seeks to assert its own policy imprint in the coalition government (Yomiuri)
- 5) Former Toyota Chairman Okuda to become key adviser to Prime Minister Fukuda (Nikkei)
- 6) Shoichi Nakagawa's conservative study group in the Diet picks up 77 members from the Lower House (Asahi)

#### Defense and security affairs:

- 7) Defense Ministry aims to shave 300 billion yen in outlays for defense equipment (Asahi)
- 8) Finance Ministry seeks to postpone procurement of Apache helicopter for the GSDF (Sankei)
- 9) Defense Ministry to increase number of in-house procurement specialists in the wake of defense procurement scandal involving trading firm (Sankei)

10) Chief Cabinet Secretary Machimura announces long list of independent administrative corporations that will be scrapped, made private or merged (Nikkei)

11) Australian government plans to monitor Japan's research whaling with court battle over whale preservation expected to heat up (Asahi)

#### Articles:

1) Government hopes for better relations with South Korea under Lee administration; Prime Minister Fukuda to attend inauguration

YOMIURI (Page 2) (Full)  
December 20, 2007

The Japanese government anticipates improvement in its relations with South Korea, with the victory of Lee Myung Bak, former Seoul mayor, in the presidential election on Dec. 19. In a bid to revive the suspended reciprocal visits between the Japanese and South Korean leaders, the government is looking into Prime Minister Fukuda's attendance of Lee's inauguration on Feb. 25.

Chief Cabinet Secretary Machimura said in a press conference yesterday: "We expect the new president will exert leadership so that Japan-South Korea relations will be improved."

A senior Foreign Ministry official also said the same day: "Mr. Lee, who comes from the business world, makes practical judgments. His debut in the political world may change bilateral relations for the better."

Relations between Japan and South Korea just after incumbent

TOKYO 00005615 002 OF 007

President Roh Moo-hyun came into office four years ago were in good shape, with the leaders visiting each other's countries -- so-called shuttle diplomacy. But relations rapidly worsened, affected by the enactment by Shimane Prefecture of an ordinance setting "Takeshima Day" and then Prime Minister Koizumi's visits to Yasukuni Shrine. In April 2006, Japan and South Korea fell into a tense situation over marine research in waters near the Takeshima (Dokdo) islets.

The inauguration of the Lee administration is likely to boost the trend of improvement in bilateral relations, set off by then Prime Minister Abe's visit to Seoul in October last year.

While maintaining the incumbent administration's soft line toward North Korea, Lee has expressed his intention to offer economic support after Pyongyang completely settles the nuclear issue. Given this, a government official said: "Prospects are in sight for cooperation among Japan, the United States and South Korea in the six-party talks."

2) Japan expected to drop to sixth place in global ODA in 2010, according to OECD projection

ASAHI (Top Play) (Excerpts)  
Evening, December 19, 2007

Japan is expected to slip to sixth place as a global donor of official development assistance (ODA) in 2010, according to a projection by the Organization for Economic Cooperation and Development's (OECD) Development Assistance Committee (DAC). Japan had won first place in net ODA rankings for the 10th straight year until a decade ago but then slipped below the United States and Britain in 2006. By 2010, Japan is expected to be surpassed by Germany, France, and Italy. While Japan is slashing its ODA budget due to the country's severe fiscal situation, European countries are steadily increasing ODA disbursements. Japan, which has long used ODA as a primary foreign policy tool, will be pressed to review its strategy.

The DAC annually provides ODA data on its 22 member countries. The latest report estimates Japan's ODA disbursements in 2010 at 10.09 billion dollars, down 1.1 billion dollars from 2006. The ratio of

net ODA to gross domestic product (GDP) is also projected to drop from the 0.25 PERCENT in 2006 to 0.21 PERCENT in 2010.

Because of the country's severe fiscal situation, Japan has been cutting its ODA budget by 3 to 10 PERCENT since fiscal 2001. Meanwhile, European countries have boosted ODA disbursements, given their economic recoveries, as well as "growing awareness since the 9/11 terrorist attack that providing relief to the impoverished elements in societies, who might turn into terrorists, is necessary," according to a senior officer of the Foreign Ministry's International Cooperation Bureau.

The government has aimed to make use of the ODA budget effectively, allocating funds mainly to projects related to environmental protection, such as forest management and energy conservation, agricultural development, such as aid for soybeans production in Brazil, and sanitation, such as controlling infectious diseases. In part because of reduced ODA to China, Japan has distributed more ODA to other regions than East Asia.

However, the Foreign Ministry is concerned about the slip in Japan's

TOKYO 00005615 003 OF 007

ODA ranking. Some members are calling for some measures to prevent a decline of Japan's influence in the international community. A senior Foreign Ministry official said: "We must take steps to improve the quality of our ODA program, for instance, by narrowing down the regions and sectors subject to the program and simplifying procedures for yen loans."

3) Opposition camp to heighten pressure on ruling camp by pushing deliberations on issues other than the refueling bill (Tokyo)

TOKYO SHIMBUN (Page 2) (Excerpt)  
December 20, 2007

The four opposition parties, led by the Democratic Party of Japan (DPJ), are stepping up their pressure on the ruling parties by pressing for deliberations on bills other than the new antiterrorism special measure bill (refueling bill). The intention of the ruling camp in re-extending the current Diet session to Jan. 15 -- an unusual move for a session to cross over into the New Year -- was to make certain it could pass the new special measures bill. The opposition camp believes strongly that it is unfair to extend the Diet just to deliberate on one bill.

The DPJ in particular is disgruntled that two bills it had presented and passed in the Upper House, one on banning pension money from being used for other purposes and another on providing income subsidies to farm families, were only deliberated on for nine and seven hours, respectively, in the Lower House. In order to appeal to the public that the DPJ is the party that gives priority to the people's livelihoods, the party would like to show that it is promoting legislation linked closely to their welfare.

This new policy course was endorsed yesterday when DPJ Diet Affairs Committee Chairman Kenji Yamaoka met his counterparts in the Japanese Communist Party, Social Democratic Party, and People's New Party.

4) New Komeito strengthening policy requests, aiming at rebuilding party image following Upper House defeat by giving priority to people who work for a living

YOMIURI (Page 4) (Excerpt)  
December 20, 2007

The New Komeito has been strengthening its policy requests of the Fukuda administration from the standpoint of giving priority to people who work for a living (seikatsusha). Reflecting on the defeat it experienced in the Upper House election, the party has been revamping its stance, and this is one aspect of it. However, the Liberal Democratic Party (LDP) has no choice but to give consideration to the Democratic Party of Japan (DPJ), which has become the dominant party in the Upper House, so whether it can go along with the New Komeito's wish to change policy course is

unclear.

5) Toyota's Okuda to be advisor to Prime Minister Fukuda

NIKKEI (Page 2) (Full)  
December 20, 2007

The government decided yesterday to appoint Hiroshi Okuda, advisor to Toyota Motor and former chairman of the Japan Business Federation

TOKYO 00005615 004 OF 007

(Nippon Keidanren), as a special advisor to the Cabinet. He will give advice to Prime Minister Yasuo Fukuda as a private-sector person. The government plans to issue the appointment as early as Dec. 26. Okuda served as a member of the Economic and Fiscal Policy Council in the Koizumi cabinet. He and Fukuda have enjoyed close ties since Fukuda was chief cabinet secretary.

6) 77 lawmakers join study group led by Shoichi Nakagawa

ASAHI (Page 4) (Full)  
December 20, 2007

A study group, chaired by former LDP Policy Research Council Chairman Shoichi Nakagawa, met for the second time in the Diet building yesterday. The group decided to call itself Shin Hoshuseisaku Kenkyu-kai (True Conservative Policy Study Group). As of yesterday, a total of 77 upper and lower house members from eight factions, excluding the Tanigaki faction, plus independents joined the group.

The study group was established in early December by Lower House member Takeo Hiranuma and others under the banner of reuniting conservative forces.

7) MOD to aim at reducing defense equipment costs by 300 billion yen

ASAHI (Page 4) (Full)  
December 20, 2007

The Ministry of Defense (MOD) announced yesterday that it would reduce the defense equipment costs by introducing numerical targets. The ministry will aim to reduce the costs by 3 PERCENT annually in a five-year period from fiscal 2007 through fiscal 2011 by purchasing equipment in bulk, extending the aircraft repair period, and simplifying equipment to spend the saved costs on purchasing other equipment. The equipment costs came to 1.8 trillion yen in fiscal 2006. The ministry will aim at reducing 300 billion yen, or 3 PERCENT of it, by using these methods. The results will be announced every fiscal year.

MOD will also increase the number of officials stationed in the United States to check padded bills by defense equipment trading houses from the current three to 10 starting in fiscal 2008.

8) GSDF to give up on including funds for 2.16 billion yen helicopter in FY2008 budget

SANKEI (Page 2) (Full)  
December 20, 2007

The Ministry of Finance (MOF) decided yesterday to reject the Ministry of Defense's (MOD) request for funds in its fiscal 2008 budget for an AH-64D attack helicopter (commonly called the Apache Longbow) for the Ground Self-Defense Force, a MOD source revealed yesterday. The reason is the AH-64D helicopter's high price tag -- 21.6 billion yen per unit, which is equivalent to the cost of two fighter jets. MOF's decision is likely to create a stir in the way defense equipment has been procured, which has often been pointed out as being too high.

MOD began purchasing the AH-64D, reputed to be the world's strongest

TOKYO 00005615 005 OF 007

attack helicopter, in fiscal 2002 as the successor to the AH-1S attack helicopter (dubbed the Cobra). The GSDF has procured a total of 10 AH-64Ds as of this fiscal year. MOD planned to deploy a total of 62 AH-64Ds in the future as replacements to the 84 AH-1S helicopters.

But the unit price, which was originally 6 billion yen, is expected to jump to 8.3 billion yen in fiscal 2008 due to the domestic production of its parts. In addition, the helicopter's manufacturer, Boeing Co., has decided to stop producing the AH-64D, putting a cap on the GSDF's number of the Apache Longbows at 13.

The unusually high unit price of 21.6 billion yen also includes MOD's step to shoulder the equipment investment for the Japanese maker producing the AH-64D under license.

A senior MOD official commented: "The cost can be reduced substantially by purchasing products in bulk in the initial year instead of obtaining equipment in multiple years based on the single-year rule."

9) MOD to increase procurement officers to review high-cost equipment

SANKEI (Page 2) (Full)  
December 20, 2007

The Ministry of Defense (MOD) held a meeting yesterday of the project team chaired by Parliamentary Secretary for Defense Minoru Terada to study how defense equipment should be procured, and discussed ways to correct the ministry's structure to purchase products at cost, as was exposed by defense contractor Yamada Corp.'s bill-padding practice. In order to prevent trading houses from overcharging for equipment by forging estimates, MOD has decided to strengthen the checking system by adding seven import procurement officers to the Equipment Procurement and Construction Office in the United States, which is currently staffed with three.

At present, two import procurement officers are stationed in New York and one in Los Angeles to research prices. MOD intends to establish a 10-person checking system, such as by increasing the number of officers in New York to four and that in Los Angeles to three, to increase the inspection rate from the current less than 7 PERCENT to 33 PERCENT. In dispatching personnel, the ministry will implement educational programs to enhance language skills and expertise in such areas as business transactions in the United States.

At the same time, in order to curb the equipment-related businesses expenditures totaling 1.8 trillion yen, MOD has also decided to aim at reducing the costs by 15 PERCENT by fiscal 2011.

10) Reform of independent administrative institutions: NEXI to become a government corporation; 200 IAIs to be reduced to 86

NIKKEI (Page 2) (Full)  
December 20, 2007

A general agreement was reached yesterday in negotiations between Chief Cabinet Secretary Nobutaka Machimura and other cabinet ministers that the present 200 independent administrative institutions will be reduced to 86 by such means as privatization of

TOKYO 00005615 006 OF 007

merger. In his session with Economy, Trade and Industry (METI) Minister Akira Amari, Machimura proposed turning the Nippon Export and Investment Insurance (NEXI) to a wholly-owned (100 PERCENT) government corporation and Amari expressed the acceptance of the proposal on the condition that the government will not sell its owned shares in the corporation.

Machimura and Land, Infrastructure, and Transport Minister Tetsuzo Fuyushiba confirmed a policy direction of delaying three years a conclusion on privatizing the Urban Renaissance Agency (URA) and Japan Housing Finance Agency. However since Administrative Reform

Minister Yoshimi Watanabe strongly opposed the idea, a final decision will be made by Prime Minister Yasuo Fukuda. Asked by reporters about how he would handle such issues as URA privatization, Fukuda responded last night: "If possible, I would like to make decisions in the 21st." The outlook is however that the privatization issue will be resolved as agreed by Machimura and Fuyushiba.

Machimura and Health, Labor and Welfare Minister Yoichi Masuzoe agreed to integrate the National Institute of Occupational Safety and Health, Japan and the Japan Labor and Welfare Organization. They also decided to reach a conclusion within one year on a review of the management of Employment and Human Resources Development Organization of Japan.

Education, Culture, Sports, Science and Technology Minister Kisaburo Tokai told Machimura that his ministry would accept his proposals: Merger of the National Research Institute for Earth Science and Disaster Prevention and Japan Agency for Marine-earth Science and Technology be merged; and merger of two university-related independent administrative institutions. Machimura and Agriculture, Forestry and Fisheries Minister Masatoshi Wakabayashi agreed to merge three independent administrative institutions.

11) Australia to monitor Japanese whalers with eye on future legal action

ASAHI (Page 7) (Full)  
December 20, 2007

Akihito Sugii, Singapore

Australian Foreign Minister Stephen Smith and Environment Minister Peter Garrett announced yesterday that their country would dispatch customs vessels to monitor Japanese whale-research ships in the Antarctic Ocean in the coming days. The customs vessels will collect photographic and video evidence for use in support of future Australian legal action to the International Court of Justice and the International Tribunal for the Law of the Sea.

Smith stated at a press conference held in Canberra: "We cannot scientifically justify the killing of whales." The customs vessels are expected to monitor Japanese whalers for about 20 days. Australia will also dispatch government aircraft which are used for scientific research of the Antarctic Continent.

Smith said that the purpose of dispatch of the ships was surveillance of whaling activities and collection of evidence, not enforcement or intervention. He also stated that Australia would create a new post in charge of preservation of whales, and that Australia together with other anti-whaling countries would urge the

TOKYO 00005615 007 OF 007

Japanese government to suspend whaling, taking advantage such occasions as the International Whaling Commission (IWC).

The Australian government reportedly notified the Japanese government through the Japanese Embassy in Canberra.

Smith stated: "Australia places importance on close and friendly relations with Japan. But this is something to which we can never agree."

Prime Minister Kevin Rudd's stance of not hesitating to dispatch marine vessels and aircraft is not supported by opposition leader head Nelson, who said, "Such would substantially damage our relations with Japan."

Ships of the Institute of Cetacean Research (in Tokyo), which left Shimonoseki Port in Yamaguchi Prefecture, have already arrived in the Antarctic Ocean. The institute plans to capture about 850 minke whales, 50 fin whales and 50 humpback whales.

The institute has decided to take humpback whales starting this year. However, Australia has strongly opposed to hunting them because they are resources used to promote tourism in Australia.

Chief Cabinet Secretary Machimura: Japan will explain need for research-whaling in the future as well

Chief Cabinet Secretary Nobutaka Machimura stated in a press conference yesterday:

"The Australian government announced the dispatch of airplanes and ships. We have acknowledged there is a strong opposition against (Japan's research-whaling). Japan wants to explain through diplomatic channels the need for research-whaling in the future as well."

He then revealed that the Japanese government would continue to seek Australia's understanding.

SCHIEFFER